IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

WILLIAM M. HENDRICKSON, INC.	:	
v.	:	00-CV-3711
NATIONAL RAILROAD PASSENGER CORP.	:	

OPINION AND ORDER

Plaintiff, William M. Hendrickson, Inc. ("Hendrickson") brings this action against defendant National Railroad Passenger Corp. ("Amtrak") for breach of contract and misappropriation of trade secret. Hendrickson, a manufacturer of air conditioners for railroad passenger cars, entered into a series of contracts with Amtrak to manufacture air conditioning units for Amtrak's railroad cars that utilized a type of refrigerant known as "R134A" refrigerant. Amtrak terminated the last of the series of contracts with Hendrickson before Hendrickson had performed fully. Hendrickson alleges that Amtrak breached this contract when it terminated the contract for Hendrickson's failure to timely deliver, and seeks money damages in return. In addition, Hendrickson brings a misappropriation of trade secret claim against Amtrak for improperly disclosing the design and manufacturing of its R134A air conditioning system, which Hendrickson contends constitutes a trade secret. Hendrickson seeks a permanent injunction preventing Amtrak from using the knowledge it gained about R134A air conditioners from Hendrickson's R134A unit.

From January 22, 2002 through January 29, 2002, I conducted a bench trial.

FINDINGS OF FACT

I. Background

1. William M. Hendrickson, Inc. ("Hendrickson"), is a Pennsylvania corporation with its office located in Philadelphia that manufactures and re-manufactures air conditioning units and electrical motors. George O'Neill is the current President of Hendrickson, a position he has held for the past twenty years. He holds a degree in electrical engineering.

2. National Railroad Passenger Corp. ("Amtrak") is a corporation created by an Act of Congress. The United States is the owner of more than half of its capital stock. Amtrak is chartered under the laws of the District of Columbia and is headquartered in the District of Columbia.

3. Amtrak purchases air conditioners for use in its railroad passenger cars. In 1996, the air conditioning systems in Amtrak's passenger cars utilized refrigerant known as R22 which is scheduled to be phased out under the Clean Air Act by the year 2010.

4. In 1996, Hendrickson was approached by representatives from Amtrak's Bear, Delaware facility to discuss the feasibility of developing an air conditioning unit that utilized R134 refrigerant, an alternative to R22, for its Amfleet I passenger cars. At this time, Amtrak did not have any R134A air conditioning units in its Amfleet I cars.

5. A railroad passenger car air conditioner consists of two parts, an evaporator and a condensor. The evaporator is installed in the ceiling of a passenger car, and the condensor is installed in the undercarriage of the car. Each passenger car has two air conditioning units, one at either end. The two units installed per car are referred to as a "car set."

II. Purchase Orders Issued to Hendrickson

6. On April 3, 1996, O'Neill of Hendrickson, Harry Glembocki, a manager of Amtrak's Mechanical Department, and Gene Eckley, a sales representative of Carrier Corporation ("Carrier"), a manufacturer of air conditioning components, met to discuss the development of an R134A air conditioning unit ("134A unit") that would fit within Amtrak's existing R22 units. The parties agreed at this meeting that Carrier would model the 134A unit and Hendrickson would manufacture the unit.

7. Carrier ran a computerized model of an R134A air conditioning unit using the dimensions of Amtrak's existing R22 units and air flows. The results of Carrier's modeling showed that the 134A unit was feasible and that its capacity was sufficient to meet Amtrak's requirements.

8. On July 2, 1996, Hendrickson submitted a price quotation to Amtrak for manufacturing an R134 air conditioning unit.

9. In December 1996, Amtrak issued a Request for Quotation ("RFQ"), seeking competitive bids to design and supply R134A air conditioning units that would fit within Amtrak's existing R22 units. The RFQ was sent to Hendrickson, RAM Motor & Controls, Inc., and Stone Safety.

10. On December 18, 1996, Amtrak issued the first of four purchase orders to Hendrickson to manufacture R134 air conditioning units. The purchase order was for 10 units, and listed a delivery date of January 31, 1997.

11. Hendrickson delivered the first 5 units to Amtrak in September 1997, and the remaining 5 sets in May 1998.

12. Amtrak conducted testing on the Hendrickson units for a period of several months.

13. On April 7, 1998, Amtrak issued a second purchase order to Hendrickson for 20 units with a delivery date of May 15, 1998.

14. Hendrickson began delivery of the units under the second purchase order in June 1998 and completed delivery by November 1998.

15. On October 20, 1998, Amtrak issued a third purchase order to Hendrickson for 40 units. The purchase order specified a required delivery date of November 15, 1998 and a promised shipment date of December 23, 1998 for the first 20 units, and a required delivery date of December 15, 1998 and a promised shipment date of December 23, 1998 for the remaining 20 units.

16. Hendrickson completed delivery of units for the third purchase order in August 1999.

17. For the first three purchase order contracts, Hendrickson delivered and Amtrak accepted 134A units well after the delivery dates specified in the purchase orders.

18. On February 25, 1999, Amtrak issued a fourth purchase order to Hendrickson for 100 units. At the time the fourth purchase order was issued, Hendrickson had not completed delivery of units under the third purchase order.

III. Terms of the Purchase Orders

19. All four Amtrak purchase orders issued to Hendrickson contained the following language at the bottom of each page:

> THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS AS DETAILED IN NRPC FORM NUMBER 69, REVISED 8/91 AND EXHIBITS ONE (1) THROUGH FOUR (4) AS ATTACHED __, ALREADY IN YOUR POSSESSION __, OR AS OTHERWISE NOTED IN THE BODY OF THIS PURCHASE ORDER.

20. All four purchase orders issued to Hendrickson indicated by hand-written check mark that NRPC Form Number 69 ("NRPC 69") was already in Hendrickson's possession. O'Neill testified at trial that Hendrickson was in possession of NRPC 69.

21. NRPC 69 is a three page stand-alone document that contains thirty-one "conditions of purchase."

22. Hendrickson did not object to the terms and conditions in NRPC 69.

23. The clauses of NRPC 69 relevant to Hendrickson's breach of contract claim provide:

> 2. ACCEPTANCE–Acceptance of the offer represented by this Purchase Order is expressly limited to the terms hereof, and is accomplished by signing the acknowledgment card of this Purchase Order and returning same to Amtrak or by initiating performance of this Purchase Order...If this Purchase Order shall be deemed an acceptance of a prior offer by Company, such acceptance is limited to the express terms contained in this Purchase Order.
>
> 8. DEFAULT–(A) Amtrak may...terminate the whole or any part of this Order in one of the following circumstances: if Company (1) fails to make delivery of the Supplies within the time specified herein as "delivery date" or any extension thereof...At its sole option, Amtrak may require a cure of the failure involved rather than terminating the Order in whole or in part. If Company does not cure the failure within the period specified by Amtrak, then Amtrak shall have the right at that time to terminate the whole or any part of the Order...
> (D)...Payment for completed Supplies delivered to and accepted by Amtrak shall be at the contract price. Payment for manufacturing materials delivered to and accepted by Amtrak and for the protection and preservation of property shall be in an amount agreed upon by the Company and Amtrak.
>
> 9. TERMINATION–This Order may be terminated in whole or in part from time to time and at any time for the convenience of Amtrak. Upon notice of termination, Company will stop work...As compensation to Company for such termination or suspension, Amtrak shall pay Company its actual, necessary, reasonable, and verifiable expenses as a direct consequence of such termination or suspension....In no event shall Amtrak be liable for lost or anticipated profit or unabsorbed indirect costs or overheads, nor shall Amtrak's liability for such termination or suspension expenses exceed the unpaid balance of the Order price. The right of reimbursement set forth herein shall be Company's exclusive remedy in the event of such termination or suspension.

> 10. DELIVERY DATE–(A) Company agrees to deliver the Supplies no later than the date specified in the Order as "Delivery at Destination"...Because time is of the essence hereof, Company will commence and prosecute the work...with due diligence and dispatch and make deliveries as specified. (B) If Company encounters or anticipates difficulty in meeting the Order delivery schedule, Company shall immediately notify Amtrak in writing, giving pertinent details; provided however that this data shall be informational only in character and shall not be construed as a waiver by Amtrak of any delivery schedule or date or of any rights or remedies provided by the law or this Order.
>
> 20. NON-WAIVER–No waiver by Amtrak of any breach on the part of Company or any of its obligations herein contained shall constitute a waiver of any subsequent breach of the same or any other of such obligations.

24. All four purchase orders contained warranty clauses. The first two purchase orders provided for a five-year warranty. The last two purchase orders established a three-year warranty. The warranty clauses in the purchase orders were negotiated by Amtrak and Hendrickson.

IV. Fourth Purchase Order

25. In early 1999, Amtrak became concerned that Hendrickson was not delivering R134A units quickly enough to meet Amtrak's needs.

26. Amtrak's Amfleet I passenger cars, the cars in which Hendrickson units were installed, were scheduled to be refurbished in 1999. Amtrak wanted to be able to install Hendrickson units in the cars as the cars were being overhauled. The delivery dates set forth in Amtrak's fourth purchase order were designed to coincide with the Amtrak's refurbishment schedule. Before it issued the fourth purchase order, Amtrak informed Hendrickson that its delivery needs were 16 units/month.

27. Hendrickson was aware of Amtrak's delivery needs. Its price quotation for the fourth purchase order dated February 4, 1999 stated that it would deliver 16 units per month "as you requested."

28. The fourth purchase order issued by Amtrak on February 25, 1999 for 100 units contained the following delivery dates:

20 units	April 1, 1999
16 units	May 3, 1999
16 units	June 1, 1999
16 units	July 1, 1999
16 units	August 2, 1999
16 units	September 1, 1999

29. Hendrickson failed to deliver units according to the dates in the fourth purchase order. As of September 1999, it still had not delivered any units under the fourth purchase order.

30. As a result of Hendrickson's failure to deliver, Amtrak requested a meeting with O'Neill in October 1999 to discuss the delivery schedule for units to be supplied under the fourth purchase order. The meeting was held on or near October 27, 1999. O'Neill brought with him to the meeting a letter dated October 27, 1999 in which he proposed a new delivery schedule:

11/1/99	4 units
11/8/99	4 units
11/22/99	4 units
From 12/13/99 to 4/24/00	4 units/week

31. Amtrak accepted this delivery schedule.

32. Hendrickson made the following deliveries on the fourth purchase order:

October 1999	4 units
November 1999	11 units
December 1999/ January 2000	9 units

February 2000	4 units
March 2000	9 units
April 2000	4 evaporators only

These deliveries did not adhere to the delivery schedule that the parties agreed to on October 27, 1999.

33. On March 14, 2000, Douglas Hamilton, Director of Amtrak's Procurement Department, sent Hendrickson a Notice to Cure in response to Hendrickson's failure to adhere to the delivery schedule in the original purchase order and the subsequent schedule agreed to by both parties in October 1999. The notice stated:

> Amtrak considers your failure to permanently correct continuing and repetitive delivery problems and deficiencies of the air conditioning units ordered on above purchase order as unacceptable. It has had a negative impact on the maintenance program of the Amfleet car refurbishment at Bear, DE...
>
> Unless such condition is cured within ten (10) days of receipt of this notice, Amtrak will terminate subject contract for default under clause entitled "Default" (form No. NRPC69 dated 3/84).

34. By letter dated March 17, 2000, O'Neill responded to the Notice to Cure. While O'Neill stated in the letter that he "was not attempting to offer excuses for our poor performance," he identified two problems facing Hendrickson that negatively affected its ability to deliver units according to schedule:

> (1) Amtrak's returning of units. O'Neill stated in the letter that Amtrak had returned 22 of 33 units recently delivered by Hendrickson. O'Neill asked that Amtrak assign an Amtrak employee to communicate with Hendrickson the reasons for the returns.
>
> (2) Sporadic Purchase Orders. O'Neill stated that the sporadic nature of the purchase orders had caused Hendrickson to "tear down" its production line on two occasions, requiring it to spend time and resources to recreate the production line.

35. In attempting to offer an acceptable cure to Amtrak, O'Neill met with Robert McGowan, Amtrak's Chief Mechanical Officer of its Bear, DE facility, to discuss the needs of Amtrak's Mechanical Department with respect to Hendrickson's delivery of 134A units. McGowan informed O'Neill that 8 car sets, or 16 units, per month would be sufficient to meet the needs of the Mechanical Department. McGowan told O'Neill that Amtrak's Purchasing Department, not the Mechanical Department, made the determination regarding what constituted an acceptable cure. O'Neill responded that, at that time, Hendrickson was capable of supplying 8 units per month, but could gradually increase its production to 16 units per month. O'Neill indicated that he would present this delivery schedule as a proposed cure to the Purchasing Department. McGowan informed O'Neill that he would be willing to talk to the Purchasing Department about O'Neill's proposal.

36. On March 23, 2000, O'Neill sent a letter to Hamilton proposing a delivery schedule of 8 units per month.

37. On April 17, 2000, Amtrak sent a notice of termination of contract to Hendrickson which stated, "Your letters dated March 17 and March 23, 2000 failed to address a sufficient plan for curing your default and failed to establish your intent to comply with the terms and conditions of subject contract. Therefore, Amtrak is hereby terminating subject contract for default, effective as of the date of this letter."

38. Amtrak paid Hendrickson in full for all units that Hendrickson delivered under the fourth purchase order.

V. Amtrak's Returns

39. Amtrak returned Hendrickson 134A machines to Hendrickson for two types of failures: "warranty" failures and "quality control" failures. A warranty failure is a mechanical or operational breakdown of an air conditioning unit which was under warranty at the time of the failure. A quality control failure refers to a unit's failure to pass Amtrak's initial quality control inspection.

40. A significant number of Hendrickson units installed in Amtrak's passenger cars broke down in 1998 and 1999, and Amtrak returned the units to Hendrickson to be fixed under warranty. Harry Glembocki of Amtrak's Mechanical Department received notification of these breakdowns from Amtrak maintenance personnel along the Northeast corridor. Glembocki kept records of these warranty failures.

41. As a result of the warranty failures, Amtrak officials called a meeting with O'Neill to address the failures. The meeting was held on July 16, 1999.

42. On or about this time, also as a result of the problems Amtrak was experiencing with Hendrickson machines, Amtrak decided to conduct quality control inspections of Hendrickson machines upon their delivery to Amtrak. Amtrak performed initial quality control inspections of Hendrickson machines throughout 1999. Tom Butler, a former Director of Equipment Maintenance for Amtrak and current General Manager of the Bear, DE facility testified that at least 14 Hendrickson units were returned to Hendrickson from1999 to 2000, for failing quality control inspections. Amtrak maintained quality control reports that documented these failures. A copy of the report was attached to the shipping document for each unit returned to Hendrickson. Hendrickson never complained to Butler that Amtrak was returning units for defects that did not exist.

43. There was no evidence that Amtrak intentionally sabotaged Hendrickson units in order to cause them to breakdown or fail quality control.

44. Amtrak did not cause Hendrickson's untimely performance by returning non-defective units, by failing to identify the defects in units returned, or by sabotaging Hendrickson units.

VI. Payment Hold

45. At a meeting held between O'Neill and Hamilton on or near October 27, 1999, Hamilton notified O'Neill that Hendrickson had pre-billed Amtrak and Amtrak had pre-paid for 16 units in the total amount of $256,000. O'Neill responded by assuring Hamilton that Hendrickson would deliver the pre-billed units as soon as possible. Hendrickson supplied the pre-billed units by the middle of December 1999.

46. As a result of the pre-billing, Amtrak placed a payment hold on all of Hendrickson's contracts with Amtrak. This meant that Hamilton had to review and approve every invoice submitted by Hendrickson before Amtrak would pay the invoices.

47. The payment hold did not substantially interfere with or prevent Hendrickson's timely performance.

VII. Sporadic Purchase Orders

48. The sporadic nature of Amtrak's purchase orders did not cause Hendrickson's failure to timely perform under the fourth purchase order.

VII. Trade Secret

49. The expansion valves in Hendrickson's units were painted blue.

50. The dimensions of Hendrickson's 134A units were specified by Amtrak. Hendrickson's R134A air conditioners utilize some of the same components as Amtrak's R22 units.

51. O'Neill did not specify what method, technique, design specification, or compilation of information relating to Hendrickson's 134A unit he considered to be a trade secret of Hendrickson.

52. Neither an express confidentiality agreement nor an implied confidential relationship existed between Amtrak and Hendrickson.

53. O'Neill told Harry Glembocki of Amtrak's Mechanical Department and John Pawk of Amtrak's Materials Management that he considered Hendrickson's 134A unit to be confidential and proprietary. Glembocki and Pawk kept the information confidential and did not disclose it to outside parties.

54. O'Neill never asked Pawk for a confidentiality agreement. When a contractor asks Pawk for a confidentiality agreement, he refers them to Amtrak's legal department. It has been Pawk's experience that contractors usually ask for confidentiality agreements at the time that the purchase order is being negotiated with Amtrak.

55. Amtrak's legal department handles the execution of confidentiality agreements.

56. In the summer of 1998, Amtrak developed a performance specification for an R134A air conditioning system (referred to at trial as "Spec 670") with the intent of holding a new competitive bid for an R134A air conditioning system.

57. Upon learning of Amtrak's development of Spec 670, O'Neill sent multiple letters to Pawk, Senior Director of Amtrak Materials Management, objecting to the specification on the ground that it disclosed proprietary information belonging to Hendrickson. O'Neill also informed Amtrak that it had filed a patent application for its R134A air conditioning system.

58. Upon learning that Hendrickson had filed a patent application, Amtrak withheld the distribution of Spec 670. By letter dated January 29, 1999, Amtrak's Legal Department requested additional information regarding Hendrickson's patent application and asked O'Neill to identify those portions of Spec 670 O'Neill believed disclosed information proprietary to Hendrickson. The letter also informed O'Neill that "based on our study of the facts, we find no indication that Amtrak agreed to maintain any of these developments in confidence. Please provide us with your basis of confidentiality." (P-69).

59. O'Neill responded to the request of Amtrak's legal department by letter dated February 4, 1999 in which he stated that Hendrickson owned the "engineering" of its R134A unit. The February 4, 1999 letter did not elaborate on what information in Spec 670 he considered to be proprietary to Hendrickson. O'Neill's letter contained conflicting statements. First, he stated that "I have not alleged that Amtrak is divulging confidential information." In the same paragraph, however, he noted that "Specification 670 does lead one to copy our unit."

60. O'Neill was unable to credibly identify the areas of Spec 670 that contained information which was confidential and proprietary to Hendrickson.

61. Amtrak retained outside counsel to investigate whether Hendrickson might have a patent infringement claim against Amtrak. Outside counsel sent O'Neill a letter asking for a copy of Hendrickson's patent application so that it could evaluate the application and advise Amtrak regarding any potential liability it would face by issuing Spec 670. O'Neill refused to provide a copy of the patent application to Amtrak's outside counsel because he did not want Amtrak to have access to the information in the application.

IX. RAM Motor & Controls, Inc.

62. RAM Motors & Controls, Inc. ("RAM") is a competitor of Hendrickson.

63. On November 18, 1999, Amtrak issued a purchase order to RAM to manufacture two R134A air conditioning units.

64. Patrick Driscoll was a Manufacturers Representative for RAM at the time RAM received the purchase order from Amtrak. Driscoll worked on the Amtrak purchase order for RAM.

65. Amtrak did not give RAM a Hendrickson unit to copy or disclose Hendrickson's bill of materials to RAM so that it could copy Hendrickson's R134A unit.

66. Upon discovering that the R134A units that RAM produced and delivered to Amtrak pursuant to the November 18, 1999 purchase order did not work properly, Amtrak directed RAM to convert the R134A units back to R22 units. RAM complied.

CONCLUSIONS OF LAW

I. Federal Jurisdiction

Federal jurisdiction in this case is based both upon diversity of citizenship, 28 U.S.C. § 1332, as well as upon federal question jurisdiction, 28 U.S.C. § 1331. Hendrickson and Amtrak are diverse parties. Hendrickson is a Pennsylvania corporation with its principle place of business in Pennsylvania. Amtrak is a federal corporation chartered under the laws of the District of Columbia with its principal place of business in the District of Columbia. See Wyant v. National R.R. Passenger Corp., 881 F.Supp. 919, 921 (S.D.N.Y. 1995). Federal question jurisdiction also exists in this case on the basis of 28 U.S.C. § 1331 and § 1349, federal incorporation. 28 U.S.C. § 1349 provides:

> The district courts shall not have jurisdiction of any civil action by or against any corporation upon the ground that it was incorporated by or under an Act of Congress, unless the United States is the owner of more than one-half of its capital stock.

Amtrak is a corporation incorporated under an Act of Congress, and, therefore civil actions involving Amtrak "arise under" the laws of the United States pursuant to 28 U.S.C. § 1331. Amtrak also meets the requirements of § 1349, as the United States is the owner of at least one-half of Amtrak's stock. Thus, district courts have federal question jurisdiction over civil actions involving Amtrak. See id. at 924 ("the law is well-settled that federal courts have federal question jurisdiction over suits by or against Amtrak under 28 U.S.C. § 1331").

II. Breach of Contract[1]

A. Terms of the Contract

In analyzing a contract, the first task is to determine the terms of the contract. See Fort Washington Resources, Inc. v. Tannen, 901 F.Supp. 932, 938 (E.D. Pa. 1995); NTA Nat., Inc. v. DNC Services Corp., 511 F.Supp. 210, 219 (D.D.C. 1981). The only controversy between the parties on this issue is whether Amtrak's standardized conditions of purchase, referred to by the parties as "NRPC 69,"are included in the terms of the contract. Amtrak's NRPC 69 is a three page stand-alone document that contains thirty-one "conditions of purchase." I conclude that NRPC 69 is part of the contract.

The evidence presented at trial established that all four purchase orders issued by Amtrak to Hendrickson (1) stated at the bottom of each page:

[1]The parties agreed that it is immaterial whether I apply Pennsylvania or District of Columbia law to the breach of contract claim. The laws of Pennsylvania and the District of Columbia are the same with respect to this claim.

> THIS PURCHASE ORDER IS SUBJECT TO THE TERMS AND CONDITIONS AS DETAILED IN NRPC FORM NUMBER 69, REVISED 8/91 AND EXHIBITS ONE (1) THROUGH FOUR (4) AS ATTACHED __, ALREADY IN YOUR POSSESSION __, OR AS OTHERWISE NOTED IN THE BODY OF THIS PURCHASE ORDER

and (2) contained a handwritten check mark next to the space "already in your possession." Hendrickson's president, George O'Neill, testified at trial that NRPC 69 was in the possession of Hendrickson at the time that each purchase order was issued by Amtrak. O'Neill also testified that Hendrickson never raised any objection to the terms in NRPC 69 with Amtrak. Thus, there is no question that Hendrickson possessed and was aware of NRPC 69, and that Amtrak's purchase order expressly incorporated the terms of NRPC 69.

Nevertheless, Hendrickson appears to argue that the terms of NRPC 69 did not become part of the final contract between Amtrak and Hendrickson because Hendrickson never explicitly accepted them as a matter of law. Hendrickson contends that Amtrak's fourth purchase order constituted acceptance of Hendrickson's offer to produce 134A units and that the terms of NRPC 69 constituted additional terms to the contract. According to Hendrickson, these terms did not automatically become part of the contract but were merely a proposal or counteroffer for additional terms that Hendrickson never accepted.

The parties are subject to the Uniform Commercial Code ("UCC"), as adopted by both Pennsylvania and the District of Columbia; the contracts between Hendrickson and Amtrak were contracts between merchants and were for the sale o f goods.[2] § 2-207 of the UCC provides that

[2]Under the UCC, "between merchants" is defined as "any transaction with respect to which both parties are chargeable with the knowledge or skill of merchants." "Merchant" is defined, in part, as "a person who deals in goods of the kind." 13 Pa.Stat.Ann. § 2104; DC CODE § 28:2-104. Hendrickson and Amtrak both "deal" in the purchase and sale of air

(continued...)

when a contract is between merchants, additional terms in an acceptance or confirmation become part of a contract unless:

> (1) the offer expressly limits acceptance to the terms of the offer;
>
> (2) they materially alter it; or
>
> (3) notification of objection to them has already been given or is given within a reasonable time after notice of them is received.

Pa.Cons.Stat.Ann. § 2207(b); D.C. Code Ann. § 28:2-207(2). See Universal Plumbing and Piping Supply, Inc. v. John C. Grimberg Co., Inc., 596 F.Supp. 1383, 1384-85 (W.D. Pa. 1984).

Under § 2-207, NRPC 69 became part of the contract between Hendrickson and Amtrak regardless of whether Amtrak's purchase order constituted an offer or acceptance. Clause 2 of NRPC 69 states:

> 2. ACCEPTANCE–Acceptance of the offer represented by this Purchase Order *is expressly limited to the terms hereof,* and is accomplished by signing the acknowledgment card of this Purchase Order and returning same to Amtrak or by initiating performance of this Purchase Order...If this Purchase Order shall be deemed an acceptance of a prior offer by Company, *such acceptance is limited to the express terms contained in this Purchase Order*.

(D-28) (emphasis added). If Amtrak's fourth purchase order were considered an offer, then the conditions in NRPC 69 became part of the contract because they were terms of the offer. Clause 2 of NRPC 69 expressly limits a company's acceptance of Amtrak's purchase order to the terms of NRPC 69. Thus, NRPC 69's terms became binding terms of the contract once Hendrickson

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[2](...continued)
conditioners for railroad passenger cars.

accepted the purchase order. Hendrickson accepted the final purchase order, at the very least, when it delivered the first units under the purchase order.[3]

Even if Amtrak's purchase order were viewed as acceptance of Hendrickson's offer (which appears to be a price quotation), as Hendrickson contends, the terms of NRPC 69 became part of the contract. If the purchase order were acceptance of Hendrickson's price quotation, then the terms of NRPC 69 were additional terms in the acceptance. According to §2-207, such additional terms become part of the contract unless one of the three exceptions applies. Hendrickson did not present evidence (1) that its alleged offer limited acceptance to the terms of the offer; (2) that NRPC 69's terms materially altered Hendrickson's offer; or (3) that Hendrickson objected to them. In fact, with respect to the third exception, O'Neill's trial testimony established the exact opposite. Furthermore, although §2-207 does not require it, NRPC 69 also expressly limited Amtrak's acceptance to the terms of NRPC 69.

I, therefore, conclude that the terms of NRPC 69 became part of the final contract between Hendrickson and Amtrak.

B. Liability

Having determined the terms of the contract, the next question is whether Amtrak is liable to Hendrickson. The following is an outline of the contentions of the parties:

- Hendrickson contends that Amtrak breached the final contract between the parties when it notified Hendrickson of its termination of the contract in April 2000;
- Amtrak responds that its termination is justified because Hendrickson failed to perform according to the original delivery schedule and a subsequent schedule agreed to by the parties.

[3]Neither party appears to have introduced evidence that Hendrickson signed and returned an "acknowledgment card" for the fourth purchase order.

- Hendrickson answers that its failure to deliver according to schedule is excusable because (1) the delivery dates in the schedules were arbitrary, and (2) Amtrak substantially interfered with Hendrickson's ability to deliver on time by returning units as defective that were not defective, withholding funds, and not providing Hendrickson with a steady flow of orders for its units;

- Amtrak responds that the delivery dates were an essential term of the contract, and that Amtrak did not cause Hendrickson's inability to deliver on time. According to Amtrak, it did not return any non-defective units to Hendrickson, it did not withhold funds, and it did give Hendrickson a steady flow of orders.

On the issues of liability, I find that:

- The delivery dates in the purchase order and a subsequent schedule agreed to by the parties were essential terms of the contract.

- Amtrak did not cause Hendrickson's inability to perform according to schedule by returning non-defective units, withholding funds, or not providing Hendrickson with a steady flow of purchase orders.

Therefore, I conclude that Amtrak is not liable to Hendrickson.

1. Burden of proof

The plaintiff bears the burden of proving that the defendant materially breached the contract by a preponderance of the evidence. See Snyder v. Gravell, 446 Pa.Super. 124, 127, 666 A.2d 341, 343 (Pa. Super. Ct. 1995). Where a party terminates for default pursuant to a default for termination clause, the terminating party bears the burden to show that the non-terminating party was in default. See DCX, Inc. v. Perry, 79 F.3d 132, 134 (Fed.Cir. 1996); District of Columbia v. Kora & Williams Corp., 743 A.2d 682, 693 (D.C. 1999). The non-terminating party, however, bears the burden to prove that any default on its part was excusable. See DCX, Inc., 79 F.3d at 134.

2. Amtrak's termination for default

On February 25, 1999, Amtrak issued the fourth purchase order to Hendrickson for 100 units. The purchase order contained the following delivery dates:

20 units	April 1, 1999
16 units	May 3, 1999
16 units	June 1, 1999
16 units	July 1, 1999
16 units	August 2, 1999
16 units	September 1, 1999

(D-27). At the time the fourth purchase order was issued, Amtrak was engaged in an overhaul of its Amfleet I passenger cars, the passenger cars in which Hendrickson's units were installed. The delivery schedule in the fourth purchase order was designed to coincide with Amtrak's overhaul effort so that Amtrak could install Hendrickson units in the cars as it was refurbishing them. Before the fourth purchase order was issued, Amtrak informed Hendrickson that its delivery needs were 16 units/month. Hendrickson's price quotation for the fourth purchase order dated February 4, 1999 stated that it would deliver 16 units per month "as you requested."

Hendrickson, which at that time was still completing delivery of units for the third purchase order, did not adhere to the delivery schedule in the fourth purchase order. Hendrickson was required to complete delivery under the third purchase order in December 1998. It delivered the last units under the third purchase order in August 1999. In October 1999, when Hendrickson still had not delivered any units under the fourth purchase order, Amtrak called a meeting to discuss the fact that Hendrickson was behind schedule. The meeting was held on or near October 27, 1999. O'Neill brought with him to this meeting a letter dated October 27, 1999 in which he set forth a new delivery schedule:

4 units	November 1, 1999
4 units	November 8, 1999
4 units	November 22, 1999, and
4 units/week	December 13, 1999 to April 4, 1999

The parties agreed to the October delivery schedule.[4] Hendrickson's actual deliveries under the fourth purchase order were as follows:

11 units	November 1999
9 units	December 1990 through January 2000
4 units	February 2000, and
9 units	March 2000

On March 14, 2000, Douglas Hamilton, Chief of Procurement for Amtrak's Purchasing Department, sent Hendrickson a letter notifying Hendrickson that Amtrak would terminate the final contract between the parties due to Hendrickson's late deliveries unless Hendrickson proposed an acceptable cure. The cure notice stated that Hendrickson had not adhered to the delivery dates in either the original purchase order or the delivery dates set forth in O'Neill's October 27, 1999 letter ("the October 1999 schedule"). The notice also informed Hendrickson that unless the delivery problem was cured within 10 days of receipt of the notice, "Amtrak will terminate subject contract for default under clause entitled 'Default' (form No. NRPC 69 dated 3/84)." (P-42).

[4]Although the issue has not been raised by either side, I note for the sake of completeness that there is no clause in the contract which explicitly requires all modifications to the contract to be formally executed with a signed writing. Under § 2-209 of the UCC, a contract that contains such a provision "cannot otherwise be modified or rescinded." 13 Pa.Cons.Stat.Ann. § 2209(b); D.C. Code Ann. § 28:2-209(2). However, in the absence of this type of provision, § 2-209 provides that "an agreement modifying a contract...needs no consideration to be binding." 13 Pa.Cons.Stat.Ann. § 2209(a); D.C. Code Ann. § 28:2-209(1).

The default clause of NRPC 69 provides in relevant part:

> 8. DEFAULT–(A) Amtrak may...terminate the whole or any part of this Order in one of the following circumstances: if Company (1) fails to make delivery of the Supplies within the time specified herein as "delivery date" or any extension thereof...At its sole option, Amtrak may require a cure of the failure involved rather than terminating the Order in whole or in part. If Company does not cure the failure within the period specified by Amtrak, then Amtrak shall have the right at that time to terminate the whole or any part of the Order...
> (D)...Payment for completed Supplies delivered to and accepted by Amtrak shall be at the contract price. Payment for manufacturing materials delivered to and accepted by Amtrak and for the protection and preservation of property shall be in an amount agreed upon by the Company and Amtrak.

(D-28).

NRPC 69 also contains a clause entitled "Delivery Date":

> 10. DELIVERY DATE–(A) Company agrees to deliver the Supplies no later than the date specified in the Order as "Delivery at Destination"...Because time is of the essence hereof, Company will commence and prosecute the work...with due diligence and dispatch and make deliveries as specified. (B) If Company encounters or anticipates difficulty in meeting the Order delivery schedule, Company shall immediately notify Amtrak in writing, giving pertinent details; provided however that this data shall be informational only in character and shall not be construed as a waiver by Amtrak of any delivery schedule or date or of any rights or remedies provided by the law or this Order.

(D-28).

In response to the notice to cure, Hendrickson attempted to come up with a cure that Amtrak would find acceptable. O'Neill met with Robert McGowan, Amtrak's Chief Mechanical Officer for its Bear, Delaware facility, to discuss the needs of the Mechanical Department. McGowan informed O'Neill that the Mechanical Department needed 16 units per month from Hendrickson. O'Neill responded that at that time, Hendrickson was capable of supplying 8 units per month but could gradually increase its production to 16 units per month. McGowan made clear to O'Neill that the Purchasing Department, and not the Mechanical Department, determined

whether a cure was acceptable to Amtrak. By letter dated March 23, 2000, Hendrickson submitted a proposed cure to Douglas Hamilton of Amtrak's Purchasing Department of 8 units/month.

On April 17, 2000, Amtrak sent a notice of termination to Hendrickson. The notice stated:

> Your letters dated March 17 and March 23, 2000 failed to address a sufficient plan for curing your default and failed to establish your intent to comply with the terms and conditions of subject contract. Therefore, Amtrak is hereby terminating subject contract for default, effective as of the date of this letter.

(P-47).

3. Hendrickson was in default

Hendrickson failed to perform according to the schedules agreed to by the parties and, therefore, was in default of the contract. The terms of the contract between Hendrickson and Amtrak clearly and explicitly authorized Amtrak to terminate the contract for default if Hendrickson failed to deliver according to the dates in the purchase order and "any extension thereof." Hendrickson did not deliver in accordance with the original schedule or the subsequent October 1999 schedule. The original schedule required Hendrickson to deliver 20 units in April 1999 and thereafter 16 units/month until September 1999. Hendrickson did not deliver any units under the fourth purchase order until November 1999. Thus, its performance was untimely under the original schedule in the purchase order. The October 1999 schedule required Hendrickson to deliver 12 units in November 1999 and four units/week thereafter until April 2000. Hendrickson delivered only 11 units in November 1999 and 9 units in December 1999 and January 2000, combined. Its performance was untimely under the October 1999 schedule.

Thus, I find that Hendrickson was in default of the contract for failure to deliver on time and, therefore, Amtrak's termination was proper.[5]

4. Hendrickson's failure to perform was not excusable

Despite the facts presented above, Hendrickson argues that Amtrak's termination nevertheless constituted a breach of the contract because any failure to perform on its part was excusable on two grounds: (1) the dates in the delivery schedules were arbitrary, and (2) Amtrak caused Hendrickson's failure to deliver on time by substantially interfering with its performance. Because I find that the delivery dates were essential terms of the contract, and that Amtrak did not substantially interfere with Hendrickson's ability to deliver on time, I conclude that Amtrak's termination was justified and Hendrickson's non-performance was not excusable.

a. Delivery dates were essential terms of the contract

The plain language of the contract between the parties makes clear that the delivery dates are essential terms of the contract. Clause 10 of NRPC 69 states that "time is of the essence." Clause 8, the default clause, explicitly identifies failure to deliver according to the specified delivery dates as a cause for default termination. Moreover, the required delivery dates themselves were clearly laid out in both the original schedule and the October 1999 schedule, the latter of which Hendrickson itself developed.

[5]Moreover, it was reasonable for Amtrak to conclude that Hendrickson would not be able to deliver the remaining units under the contract by the final delivery date in the October 1999 schedule of April 4, 2000. As of the end of February 2000, weeks before Amtrak sent Hendrickson the notice to cure, Hendrickson had delivered only 28 of the 60 units that the October 1999 schedule required it to deliver by that time. Thus, in order to complete delivery by the final delivery date of April 4, 2000, Hendrickson would have had to have delivered seventy-two units in just over a month.

The dates were not arbitrary, as Hendrickson contends. Amtrak made clear to Hendrickson that the delivery dates for the fourth purchase order were established in order to coincide with Amtrak's refurbishment program. Despite this fact, Hendrickson argues that its failure to deliver according to these dates was excusable because the dates in the first three purchase orders were not feasible, Hendrickson did not adhere to them, and Amtrak did not require Hendrickson to adhere to them. Hendrickson appears to be making a "course of dealing" argument, although it does not use this term explicitly. Under the UCC, course of dealing is defined as:

> A course of dealing is a sequence of previous conduct between the parties to a particular transaction which is fairly to be regarded as establishing a common basis of understanding for interpreting their expressions and other conduct.

13 Pa.Cons.Stat.Ann. § 1205(a); D.C. Code Ann. § 28:1-205(1). Here, course of dealing does not save Hendrickson. Regardless of what occurred under the prior three contracts, Hendrickson cannot rely on course of dealing when it was aware that the delivery dates were not arbitrary but were developed to allow Amtrak to coordinate the installation of Hendrickson units with its overhaul effort. Furthermore, the UCC explicitly states that express terms of an agreement trump course of dealing:

> The express terms of an agreement and an applicable course of dealing...shall be construed wherever reasonable as consistent with each other; but when such construction is unreasonable express terms control [] course of dealing.

13 Pa.Cons.Stat.Ann. § 1205(d); D.C. Code Ann. § 28:1-205(4). See Associated Metals & Minerals Corp. v. Sharon Steel Corp., 590 F.Supp. 18, 24 (S.D.N.Y. 1983) (applying Pennsylvania law and rejecting the plaintiff's course of dealing argument where course of dealing "would render the express terms of the contracts meaningless").

Finally, the explicit terms of the contract also make clear that Hendrickson's failure to deliver according to the delivery dates in the first three purchase orders does not excuse its failure to timely deliver on the fourth purchase order. Clause 20 of NRPC 69, Non-Waiver, states:

> 20. NON-WAIVER–No waiver by Amtrak of any breach on the part of Company or any of its obligations herein contained shall constitute a waiver of any subsequent breach of the same or any other of such obligations.

This clause also would apply to any argument that Amtrak waived its right to object to Hendrickson's late deliveries under the fourth purchase order when it permitted Hendrickson to propose the amended schedule in October 1999.

I find that the delivery dates in the fourth contract not only were not arbitrary but were essential terms of the contract.

b. Amtrak did not cause Hendrickson's failure to perform on time

Hendrickson claims that its non-performance is excusable because Amtrak substantially interfered with Hendrickson's performance of the contract in three ways: (1) by returning Hendrickson units without giving notice of the defect, for defects that did not exist, and deliberately loosening screws on some units causing them to break down; (2) by withholding payment due to Hendrickson; and (3) by failing to provide Hendrickson with a steady flow of orders for Hendrickson units.

As a general rule, the prevention or hindrance of another party's performance of a contract constitutes a material breach of the contract and excuses the nonperformance of the non-breaching party. See Apalucci v. Agora Syndicate, Inc., 145 F.3d 630, 634 (3d Cir. 1998) (citing Pennsylvania law for "the general rule, [that] when one party to a contract unilaterally prevents the performance of a condition upon which his own liability depends, the culpable party may not

then capitalize on that failure"); Ott v. Buehler Lumber Co., 373 Pa.Super. 515, 518, 541 A.2d 1143, 1145 (Pa. Super. Ct. 1988) (same); Blake Const. Co., Inc. v. C. J. Coakley Co., Inc., 431 A.2d 569, 576 (D.C. 1981) ("It is well established that there are certain implicit duties between contracting parties, particularly the duty not to prevent performance by the other party"); Williston on Contracts, §§ 39:3, 39:12.

Hendrickson, however, did not meet its burden of proof to show that Amtrak caused Hendrickson's failure to perform according to the delivery dates in either the original or October 1999 schedule by returning non-defective goods, withholding funds, or not providing Hendrickson with a steady flow of orders.

While evidence was introduced that Amtrak returned a substantial number of units to Hendrickson for various defects, Hendrickson failed to prove that Amtrak returned units for failures that did not exist, that Amtrak failed to identify the defects in machines returned, and that Amtrak intentionally sabotaged units causing them to fail. To prove these allegations, Hendrickson relied primarily on the testimony of Hendrickson's president, O'Neill. Yet without documentary proof of these allegations, O'Neill's testimony simply was not credible. In contrast, Amtrak officials Glembocki and Butler credibly testified to the problems that Amtrak experienced with Hendrickson units in 1998 and 1999. Glembocki, manager of Amtrak's Mechanical Department for the Bear, Delaware facility testified to receiving calls and complaints from Amtrak maintenance personnel along the Northeast corridor about Hendrickson units breaking down, and offered documentary evidence of a significant number of Hendrickson warranty failures. The warranty failures became so numerous that Amtrak officials called a meeting with O'Neill in the summer of 1999 in order to discuss the problems. The significant

number of warranty failures in 1998 and 1999 also prompted Amtrak to conduct quality assurance inspections of Amtrak units upon their delivery to Amtrak. Tom Butler, a former director of Equipment Maintenance for Amtrak and current General Manager of the Bear, Delaware facility, testified to the quality assurance failures that Amtrak experienced with Hendrickson units. Through Butler, Amtrak introduced the quality control inspection reports which established that from 1999-2000, Amtrak returned at least 14 units to Hendrickson for failing quality control inspection. Butler also testified that O'Neill never told Butler that Hendrickson was unable to determine the defects in units returned to Amtrak.

Moreover, Hendrickson admitted to Amtrak that its performance was deficient. Immediately after receiving the notice to cure from Hamilton, O'Neill sent a letter dated March 17, 2000 to Hamilton in which he stated that he "was not attempting to offer excuses for our poor performance." (P-43). In light of the evidence presented at trial, I find that Hendrickson simply did not prove that Amtrak prevented it from delivering on time by returning non-defective units, or by failing to identify the defect in units it did return. In addition, I note there was no evidence whatsoever beyond O'Neill's bare allegation that Amtrak intentionally sabotaged Hendrickson units causing them to break down.

Hendrickson also failed to show that Amtrak's withholding of funds substantially interfered or prevented Hendrickson's timely performance. Hendrickson established through Amtrak witnesses that Amtrak placed a payment hold on Hendrickson's account in the fall of 1999 due to Hendrickson's pre-billing and Amtrak's prepayment of 16 Hendrickson units. Hendrickson, however, failed to prove that the payment hold interfered with its performance of the fourth contract. It offered only the testimony of O'Neill in support of this allegation. It

presented no documentation or testimony to establish that the payment hold rendered it unable to procure necessary materials for producing the 134A units, nor testimony from other Hendrickson employees regarding the effect of the payment hold on Hendrickson's cash flow. Like its allegations of sabotage and "phantom" defects, Hendrickson has not shown any nexus between the withholding of funds and its failure to timely deliver.

Lastly, Hendrickson alleges that Amtrak's sporadic purchase orders prevented it from making timely deliveries on the fourth purchase order. This is no justification for non-performance. Amtrak was under no duty to award Hendrickson a steady flow of orders. Even if this were a viable excuse, Hendrickson failed to prove that the sporadic orders interfered with its performance. According to Hendrickson, the sporadic nature of the purchase orders caused Hendrickson to tear down its production line, only to have to rebuild it once Amtrak issued a new order. Yet, the evidence presented at trial established just the opposite. The fourth purchase order was issued for 100 units, more than twice the number of the third purchase order, to be delivered at 16 units per month for six months. Thus, there would have been no reason for Hendrickson to tear down its production line during the fourth contract and, indeed, there was no evidence that Hendrickson did so. Even at the time that Amtrak issued the fourth purchase order in February 1999, Hendrickson had not yet completed delivery on the third purchase order, despite the fact that the third order required final delivery by December 1998. Thus, it is not clear why Hendrickson would have been forced to tear down its production line between the third and fourth purchase orders.

Based on my findings that (1) the delivery dates were essential terms of the contract, and (2) Hendrickson failed to prove that Amtrak was the cause of its failure to perform on time, Hendrickson has not shown that its default was excusable.

5. Conclusion

I conclude that Amtrak's termination for default was justified by Hendrickson's failure to deliver units according to the original schedule in the purchase order and the amended October schedule, and that Hendrickson's default was not excusable. Because Amtrak has paid Hendrickson for all units delivered to Amtrak under the fourth purchase order, Amtrak is not liable to Hendrickson.

II. Trade Secret Claim

Hendrickson brings a second claim against Amtrak for misappropriation of Hendrickson's trade secret. According to Hendrickson, it owns a trade secret in the design and specification of its R134A air conditioning system, and it seeks a permanent injunction to prevent Amtrak from disclosing the trade secret. Hendrickson has failed to meet its burden of proof with respect to its trade secret claim.

In order to prevail on a claim for injunctive relief for misappropriation of a trade secret, a plaintiff must prove that:

(1) plaintiff owns a trade secret
(2) which was communicated to the defendant
(3) within a confidential relationship, and
(4) was used by the defendant to plaintiff's detriment.

R.W. Sims v. Mack Truck Corp., 488 F.Supp. 592, 597 (E.D. Pa. 1980) (applying Pennsylvania law).[6] Unlike the more typical employer-employee trade secret case, Amtrak is in legal possession of the machine in which Hendrickson claims it has a trade secret. As a result, the second element, whether the trade secret was communicated to Amtrak, is not as relevant in this case. Thus, to prevail on its trade secret claim, Hendrickson must show that (1) it holds a trade secret in the design of its 134A unit, (2) a confidential relationship exists between Hendrickson and Amtrak with respect to the trade secret, and (3) Amtrak disclosed or used (or will disclose or use) the trade secret. See DEN-TAL-EZ v. Siemens Capital Corp., 389 Pa.Super. 219, 249, 566 A.2d 1214, 1228-29 (Pa. Super. Ct. 1989); Greenberg v. Croydon Plastics Co., Inc., 378 F.Supp. 806, 811 (E.D. Pa 1974) (quoting Pilgrim, Trade Secrets § 7.07(1)). Pennsylvania follows the "property view" of trade secret law, under which a court first determines whether a trade secret exists, and secondly whether there was a breach in confidence. See Van Products Co. v. General Welding and Fabricating Co., 419 Pa. 248, 268, 213 A.2d 769, 780 (Pa. 1965).

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[6] See also MacBeth-Evans Glass Co. v. Schnelbach, 239 Pa. 76, 87, 86 A. 688, 691 (Pa. 1913) (a plaintiff must prove "(1) that there was a trade secret; (2) that it was of value to the [plaintiff] and important in the conduct of his business; (3) that by reason of discovery or ownership the [plaintiff] had the right to the use and enjoyment of the secret; and (4) that the secret was communicated to [the defendant], while he was [] in a position of trust and confidence, under such circumstances as to make it inequitable and unjust for him to disclose it to others, or to make use of it himself, to the prejudice of [the plaintiff]").

Pennsylvania also has adopted the Restatement of Torts approach to misappropriation of trade secret which provides that a party that discloses or uses a trade secret is liable if (1) it gained the information through improper means, or (2) the disclosure or use constitutes a breach of confidence. See Van Products Co. v. General Welding and Fabricating Co., 419 Pa. 248, 259, 213 A.2d 769, 775 n.5 (Pa. 1965); DEN-TAL-EZ v. Siemens Capital Corp., 389 Pa.Super. 219, 249, 566 A.2d 1214, 1228-29 (Pa. Super. Ct. 1989).

A. Trade secret

Pennsylvania courts have adopted the Restatement's definition of a trade secret:

> 'A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.'

Van Products Co., 213 A.2d at 780 (quoting Restatement of Torts § 757 comment b). In determining whether given information amounts to a trade secret, factors for a court to consider include: (1) the extent to which the information is known outside of the owner's business; (2) the extent to which it is known by employees and others involved in the owner's business; (3) the extent of measures taken by the owner to guard the secrecy of the information; (4) the value of the information to the owner and to his competitors; (5) the amount of effort or money expended by the owner in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. SI Handling Systems, Inc. v. Heisley, 753 F.2d 1244, 1256 (3d Cir. 1985)(citing Restatement of Torts § 757 comment b (1939)). The plaintiff bears the burden to prove that it developed the alleged trade secret and that the information was a secret, or, in other words, was not a matter of public knowledge. See Felmlee v. Lockett, 466 Pa. 1, 9, 351 A.2d 273, 277 (Pa. 1976).

Hendrickson failed to prove that the design and specifications of its 134A air conditioning system constitute a trade secret.[7] Nevertheless, even if Hendrickson had met its

[7]While trial testimony established that Amtrak did not own or operate a 134A air conditioner before its contracts with Hendrickson, and that no other manufacturer was known to have produced an air conditioner using R134A refrigerant which would fit within an R22 unit, Hendrickson did not establish that its 134A unit represents a unique product developed by Hendrickson. O'Neill, Hendrickson's primary witness, did not testify sufficiently regarding the design and manufacturing of its 134A system to allow me to conclude that its design was based (continued...)

burden of proof regarding the existence of a trade secret, it failed to establish the second requirement for prevailing on a trade secret claim, the existence of a confidential relationship between Hendrickson and Amtrak.

B. Confidential relationship

While trade secret cases often involve an express agreement of confidentiality between the parties, a confidential relationship may also be implied. See MacBeth-Evans Glass Co., 86 A. at 691 ("The duty of the servant not to disclose the secrets of the master may arise from an express contract, or it may be implied from their confidential relations"); DEN-TAL-EZ, 566 A.2d at 1225 ("a confidential relationship can be implied...even lacking an express agreement"). Here, while there was a dispute among witnesses as to whether Hendrickson ever submitted a proposed confidentiality agreement to Amtrak (O'Neill testified it had while Amtrak employees either could not remember or testified that Hendrickson never asked for such an agreement), no

[7](...continued)
on information that others in the field did not have or could not acquire easily. With the exception of the evaporator valve which Hendrickson painted blue to conceal its identity, O'Neill failed to explain specifically what components of its 134A unit it considered confidential and why. Eventually, after being pressed on cross-examination, O'Neill did identify three aspects of its unit that he considered confidential: the dimensions of the unit, the compressor model, and the arrangement of the evaporator coils. As for the dimensions of the unit, Hendrickson designed the system to fit within Amtrak's existing R22 air conditioning systems. Thus, the dimensions of the unit are Amtrak's specifications. With regard to the other elements, Hendrickson presented no testimony of others in the industry, let alone experts, to convince me that the compressor model, the arrangement of the evaporator coils, or the overall design of its 134A unit is unique and entitled to trade secret status. See Sims v. Mack Truck Corp., 488 F.Supp. 592, 600 (E.D. Pa. 1980) (no trade secret where the plaintiff "advanced no evidence tending to show that his manufacturing processes are unique as opposed to unprotected 'general assets of the trade'"). Cf. Greenberg, 378 F.Supp. at 813-14 (trade secret found where the plaintiff offered credible evidence regarding how its product was unique and the precautions it took to keep the information secret).

formal, written confidentiality agreement existed between Hendrickson and Amtrak regarding Hendrickson's 134A units.

The question, then, is whether a confidential relationship should be implied. At least two Amtrak employees, Harry Glembocki of the Mechanical Department and John Pawk of the Purchasing Department, recalled O'Neill stating that Hendrickson considered its 134A air conditioner to be proprietary and confidential. Both testified that as a result of O'Neill's statements, they kept information about Hendrickson units confidential. Pawk, however, made clear that his decision not to divulge information to third parties was separate and apart from a confidentiality agreement. He testified that when a contractor asks for a confidentiality agreement, it normally does so at the time the contract is being negotiated and, thus, the issue is addressed in the purchase order itself. According to Pawk, if a contractor later asks for a confidentiality agreement, he refers them to Amtrak's legal department. When asked why he never referred O'Neill to Amtrak's legal department, Pawk responded that O'Neill never asked for such an agreement.

In late 1998, Amtrak's legal department eventually became involved in this issue when O'Neill informed Amtrak that Hendrickson had filed a patent application for its 134A unit and objected to Amtrak's development and publication of Specification 670 ("Spec 670") on the ground that it divulged information proprietary to Hendrickson. Spec 670 is a performance specification for the manufacturing of an R134A air conditioning unit. Amtrak developed Spec 670 in 1998 with the intent of issuing it as part of a new public bid for the production of 134A units. When Amtrak's legal department contacted O'Neill in January 1999 in order to investigate whether Spec 670 might infringe upon Hendrickson's potential patent, it informed O'Neill that

after reviewing the matter, it had concluded that Amtrak never agreed to keep information regarding Hendrickson's development of an R134A unit confidential. Thus, when Hendrickson entered into the fourth and final purchase order contract with Amtrak in February 1999, it did so fully aware of Amtrak's position that no confidential relationship existed between the parties. There is no evidence that Hendrickson endeavored to obtain a written confidentiality agreement that would apply to the last contract. Indeed, given the history among the parties, it seems unlikely that Amtrak would have agreed to a confidentiality agreement. Furthermore, Hendrickson never explained to Amtrak what it considered proprietary about its machine, despite Amtrak's repeated attempts to discover this information.

In light of the evidence before me, I find that Hendrickson has not met its burden of proof with respect to the existence of a confidential relationship between Hendrickson and Amtrak. While Hendrickson may have informed various Amtrak employees that it considered its design of the 134A unit to be confidential and proprietary, such discussions are not enough to establish an agreement binding upon Amtrak to keep information relating to Hendrickson's 134A unit confidential, especially when Hendrickson never specifically identified what aspects of its units it considered confidential. See Pittsburgh Cut Wire Co. v. Sufrin, 350 Pa. 31, 34-35, 38 A.2d 33, 34-35 (Pa. 1944) (no confidential relationship where there were no "circumstances that would indicate to an employee such a confidential relationship existing under his contract of employment as would cause the employee to be charged with the fact that the Gem Paper Clip machine or any of its parts were trade secrets of the plaintiff").

C. Use/Disclosure

Finally, even if Hendrickson had proved both that it owned a trade secret in the design of the 134A unit and the existence of a confidential relationship between the parties, Hendrickson has failed to show that Amtrak disclosed or used, or will disclose or use, information about Hendrickson's 134A unit that it claims constitutes a trade secret. Courts have recognized that plaintiffs in trade secret cases face a difficult task in proving by a preponderance of the evidence that the defendant disclosed the alleged trade secret. As one court explained, "Misappropriation and misuse can rarely be proved by direct evidence...plaintiffs must construct a web of perhaps ambiguous circumstantial evidence...[to] be balanced [against] defendants and defendants' witnesses who directly deny everything." Greenberg, 378 F.Supp. at 814.

Here, Hendrickson alleges that Amtrak disclosed the design of its unit to one of its competitors, RAM Motor & Controls. Amtrak awarded RAM a contract to manufacture two R134A air conditioners in November 1999. The R134A units that RAM delivered, however, did not work properly and, on Amtrak's request, were converted back into R22 units. Perhaps not surprisingly, there was no direct testimony by either a Hendrickson or RAM employee that Amtrak gave RAM a Hendrickson unit to copy. Hendrickson attempted to prove the disclosure by circumstantial evidence that the bill of materials submitted to Amtrak by RAM included part number of various components that RAM could have obtained only from a Hendrickson unit. While Hendrickson argued this point, it failed to present even enough circumstantial evidence to support this allegation. Patrick Driscoll, the sole RAM witness, testified that he could not be sure where the document Hendrickson claimed was a RAM bill of materials came from. He further testified that Amtrak did not disclose the parts used by Hendrickson, but that Amtrak had

given RAM one of its R22 units, which utilizes some of the same components as an R134A machine. In addition, Driscoll also testified that RAM sought and received advice regarding what parts to use from Carrier Corporation, the company that performed the initial computer modeling for Hendrickson. While Hendrickson claims that Carrier could not have advised RAM as to the engineering of an R134A unit because the company does not have an engineering unit, Hendrickson simply did not prove this claim.

Hendrickson also contends that a comparison of the RAM machine to Hendrickson's machines establishes that Amtrak disclosed the design of its unit to RAM. According to Hendrickson, the only major difference between the Hendrickson unit and the RAM unit was the expansion valve, which was unidentifiable in Hendrickson's unit because it was painted blue.[8] Yet even if Hendrickson had proven this point, it nevertheless did not establish that Amtrak disclosed the Hendrickson unit to RAM. Although a serious allegation, without any credible evidentiary support, it remains only an allegation. Compare Greenberg, 378 F.Supp. at 815 (the defendant improperly disclosed the plaintiff's trade secret in its flavoring method where court found based on the evidence presented that the defendants used a method identical to that of the plaintiff).

I also find that Hendrickson has not proven that Amtrak's Spec 670 misappropriates information that Hendrickson considers proprietary. This finding is based on O'Neill's refusal to identify precisely what sections of Spec 670 he believes disclosed Hendrickson confidential

[8]By painting the expansion valve blue, Hendrickson did engage in an effort to conceal the identity of the valve, a factor relevant to whether Hendrickson owns a trade secret. However, Hendrickson did not establish that it communicated to Amtrak the type of expansion valve it used, the second element of a misappropriation claim. According to Hendrickson's own argument, RAM was not aware of the type of expansion valve that Hendrickson used in its units.

information, a fact I relied upon earlier in finding that Hendrickson does not hold a trade secret. In addition, I rely on O'Neill's own admission in a letter to Amtrak's legal department regarding Spec 670 that "I have not alleged that Amtrak is divulging confidential information." (P-70).

D. Conclusion

Hendrickson has failed to establish that (1) it possessed a trade secret in its 134A unit, (2) it had a confidential relationship with Amtrak, and (3) Amtrak disclosed or used its trade secret. Because Hendrickson has not satisfied the elements of a claim for misappropriation of trade secret, it is not entitled to injunctive relief.

An order follows.

ORDER

AND NOW, this day of March 2002, it is **ORDERED** that:

(1) judgment is entered in favor of Amtrak and against Hendrickson on the breach of contract claim; and

(2) judgment is entered in favor of Amtrak and against Hendrickson on the trade secret claim.

_____
ANITA B. BRODY, J.

Copies **FAXED** on _____ to:

Copies **MAILED** on _____ to: